

Apple Arcade could boost ranks of video game players

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Apple Arcade could bring more consumers to online games with its low monthly price for unlimited play

Apple's entry into online games with a low-cost subscription plan is expected to bring a fresh set of consumers into gaming and potentially

reshape the multibillion-dollar market.

Apple Arcade, which launches Thursday, rides a trend of video games played by subscribers instead of purchased as downloads or disks, and its \$4.99 monthly price could wind up boosting ranks of players.

"My hunch is that it's a good thing for the market overall," said NPD Group games executive director Mat Piscatella.

"Apple Arcade might eat into free-to-play titles, or it might expand the market overall and attract many new players that haven't yet been drawn to paying for content on mobile."

Apple Arcade differs from rivals by offering unlimited access for a flat monthly price to more than 100 exclusive games uninterrupted by ads or the hawking of virtual goods.

"The games themselves don't have in-[game](#) purchase mechanics; instead, there is a beginning, middle and end," said Wedbush Securities equity research managing director Michael Pachter.

"That's a different type of game than free-to-play, so I think there is definitely an audience."

Converting phone owners

Arcade fits into a subscription model that is gaining traction, according to analysts.



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Subscription services are offered by console rivals Xbox and PlayStation, while Google is set to launch a Stadia streaming play service in November.

"The old model was paid download, but that died when free-to-play was invented," Pachter said.

"(Arcade) is not much of a threat to the conventional games business, and will likely convert some mobile phone owners to gamers over time."

The US video game industry generated a record \$43.4 billion in revenue

in 2018, according to the Entertainment Software Association and The NPD Group.

A drawback for Arcade is that it doesn't support games playable on popular consoles or Windows-powered personal computers, said analyst Patrick Moorhead of Moor Insights & Strategy.

Game makers also face the challenge of tailoring each title to play equally well on Apple's various devices, which is tougher than crafting software for one type of hardware such as a popular console.

Details of what incentives or revenue shares Apple is giving game developers have not been disclosed.

"Apple is taking advantage of the power of its devices to attract developers for a share of the \$5 monthly fee, and the early providers are going to make good coin by participating," Pachter said.

Alexandre De Rochefort of Gameloft, a studio producing games for Apple Arcade, declined to discuss the revenue share but said it would likely be "a valuable initiative for Gameloft, our partners, and our players" as the economics of gaming shift.



Apple is working to reduce its dependence on the iPhone by offering new services, which tie into the company's devices

"On the mobile side, we think that the free-to-play business model has reached near maturity," De Rochefort said.

"If you look at what is happening in music, in movies and TV shows, the subscription business model is getting very popular, and somehow the gaming industry is still a bit behind on this topic. It is great for the industry to have new alternatives, and we are convinced that the subscription-based model will bring [new experiences](#) for new players."

Gen Z

Apple promised new, exclusive Arcade games will be playable across iPhone, iPad, iPod touch, Mac and Apple TV, potentially attracting younger audiences.

"I think the service will appeal to parents and to a new wave of Gen Z consumers that identify with unique and authentic content experiences on smartphones," said IHS Markit Technology head of games research Piers Harding-Rolls.

"These consumers may also be tempted to buy into the Apple ecosystem with the cheaper and more youthful iPhone 11."

Apple will begin shipping new iPhone 11 models on Friday as it emphasizes television streaming and gaming services to wean itself off dependence on selling hardware.

Price appeared to be a key consideration as the tech giant reduced the entry-level price for the iPhone 11 to \$699.

"Overall this games service strategy supports Apple's ecosystem of devices," Harding-Rolls said.

"It will attract a niche share of the over one billion active iOS device user-base and, given Apple's huge audience that is likely to result in a games subscription service bigger than most that have come before it."

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